Doing Business in Tunisia – 2007: A Country Commercial Guide for US Companies

Return to table of contents

Chapter 1: Doing Business In Tunisia

Market Overview

Return to top

- Tunisia is a small and politically stable country on the North African coast. It has the most diversified economy in the region. With a population of slightly over 10 million, it has one of the highest standards of living on the continent. The country does not have vast reserves of hydrocarbons like its neighbors Algeria and Libya, but has prospered under long-standing government policies to develop manufacturing and tourism. At the same time, social programs limit population growth, provide a high standard of education, and ensure a relatively decent standard of living for all. The 74.3% national literacy rate is one of the highest in the Middle East, and the 2006 average annual income per capita of approximately $3000 is equivalent to Purchasing Power Parity (PPP) of $8,255 (Source: World Bank) .

- The Tunisian economy, which has maintained a steady average annual growth rate of about 4.5% in recent years, grew by 5.3% in 2006. Government of Tunisia (GOT) planners predict GDP will climb to 6% in 2007 and predict an annual average of 6.3% over the coming decade. Inflation increased considerably in 2006, more than doubling to reach 4.2%. Hard currency reserves have been boosted by the proceeds of the sale of 35% of the national telecommunications agency, Tunisie Telecom, to a Dubai-based consortium. The sale brought in $2.25 billion and pushed reserves at the end of November to over 8 million Tunisian dinars (TD), equivalent to 156 days of imports.

- Manufacturing industries, producing largely for export, are the motor of Tunisia's economic growth and a major source of foreign currency revenue, accounting for nearly 90% of exports. Labor-intensive plants, historically producing textiles and, more recently, those producing automobile components, create much-needed jobs. Textiles have long been the primary source of foreign currency revenue, but foreign orders have slowed in the face of increased global competition. A GOT export promotion center CEPEX (Centre de Promotion des Exportations) is responsible for identifying new export markets in all sectors.

- Tourism and mechanical and electrical equipment sales are the second largest source of foreign currency revenue. Tunisia has a meager 2.5% share of the Mediterranean tourism market and still struggles to get its hotel occupancy rate up to 50%. About 6.5 million tourists visited Tunisia in 2006 bringing in nearly $2 billion in convertible currency.

- Agriculture plays a major role in Tunisia, and employs approximately one-fifth of the population. Agriculture accounts for nearly 12% of GDP and comprises about 10% of the overall export of goods. In 2005, Tunisia exported nearly $940 million of agricultural products, mainly olive oil, seafood, dates and citrus.

- The government still retains control over certain "strategic" sectors of the economy (finance, hydrocarbons, the national airline, electricity and gas distribution, telecommunications, and water resources), but the role of the private sector is increasingly important. The Government of Tunisia is currently studying the economic impact of liberalization of petroleum product price controls and, in a move away from traditional energy sources, is planning studies on the production of nuclear energy. Most of Tunisia's electricity is produced from natural gas. Demand is growing 4-5% each year and will reach about 22 billion KWH by 2020. The GOT plans to produce 900 MW of nuclear power by 2020. Tunisia has signed the Treaty on the Non-Proliferation of Nuclear Weapons and a Comprehensive Safeguards Agreement with the International Atomic Energy Agency (IAEA).

- Accessing the Tunisian market can be a challenge for US companies. Geographically part of Africa but culturally more Mediterranean or Middle Eastern, this former French protectorate has extremely close ties with Europe. These have been reinforced by Tunisia's Association Agreement with the European Union (EU), which will create a free trade zone by 2008. Over 70% of Tunisia's foreign trade is with Europe. Tunisia's other major trading partner is Libya. In 2006, total Tunisian imports were $15.2 billion and exports totaled $15.3 billion.

- Tunisia is a founding member of the World Trade Organization (WTO) and is publicly committed to a free trade regime and export-led growth. The government would like to expand trade and investment ties beyond Europe, but the EU presence in the economy remains strong. The EU Association Agreement is backed by significant European funding to support the Tunisian economy through the transition period to an open market. Over 3600 Tunisian companies have taken part in the program so far. Tunisia's Association Agreement with the EU bars non-EU countries from certain major tenders receiving EU financing. US companies are therefore ineligible to bid on some major contracts.

- Tunisia is a member of the Arab Maghreb Union (UMA - Union du Maghreb Arabe), a political-economic grouping of Tunisia, Algeria, Morocco, Mauritania, and Libya. It is also a signatory to several bilateral and multilateral trade agreements, including the Agadir Agreement. This agreement, a framework for a free trade area with Egypt, Jordan, and Morocco, will create a potential market of over 100 million people. Tunisia's commercial ties with the United Arab Emirates (UAE) took a leap forward in 2006 with the announcement of plans by several Dubai-based companies to invest a total of $20 billion in real estate, tourism, and commerce in Tunisia over the next few years. Tunisia regularly attracts about $750 million in FDI annually ($780 million in 2005) nearly two thirds of which ($480 million) came from Europe.

- In order to assist US companies in gaining access to the Tunisian market, the United States signed a Trade and Investment Framework Agreement (TIFA) in October 2002 to formally discuss bilateral trade and investment issues. Follow-on TIFA Councils were held in October 2003 and June 2005.

- The United States is not a major goods supplier to Tunisia. In 2006, total Tunisian imports were $15.2 billion, of which only 2.9% ($435 million) came from the United States. Total Tunisian exports for the same period were $11.78 billion, of which $145 million (1.2%) went to the US. (Institut National de la Statistique (INS) figures differ greatly from US Department of Commerce statistics which, for the first nine months of 2006, recorded Tunisian imports from United States of $253.7 million and Tunisian exports to the United States totaling $369.7 million.)

- For many years the United States was traditionally the fourth leading goods supplier, after France, Italy and Germany, but in 2006 dropped to 7th position, trailing France (22.77%), Italy (18.65%), Germany (7.9%), Libya (4.89%), Spain (4.7%) and China (3.3%) (Source: INS). Imports of Chinese goods are rising rapidly. They increased by approximately 32% in 2006, to $501 million, and are five times their 2000 level. Over the same period, US exports to Tunisia remained steady at approximately $300-$400 million annually.

- Although initial US investment in Tunisia was primarily in the hydrocarbons sector, US companies now successfully invest in offshore manufacturing industries and are present in both textile production and electrical/mechanical equipment manufacturing. Offshore companies can be established under an attractive regime that offers significant tax incentives to export-oriented investors. In the tourism industry, only three of Tunisia's 800+ hotels are affiliated with US groups. Currently, total US investment in Tunisia is estimated at about $700 million and has contributed to the creation of more than 17,000 jobs.

Market Challenges Return to top

- Doing business in Tunisia can be challenging for US companies, which may perceive the Tunisian bureaucracy as cumbersome and slow by US standards and find that the regulatory environment lacks coherence and consistency. The decision-making process can be opaque and at odds with the government's official pro-business stance, which proclaims transparency. However, with good planning and longer lead times, good results can be obtained.

- Imports from the EU are now mostly exempt from import duties, resulting in a considerable pricing advantage. US products generally enjoy widespread acceptance among Tunisian businesses and consumers, although their perceived edge in quality and technology can be offset by the additional costs associated with their distribution by European intermediaries as suppliers.

- The EU and many European countries offer excellent financing terms for trade. Tunisian companies are familiar with these opportunities but generally unfamiliar with financing opportunities available when purchasing US goods. The US Embassy in Tunis works closely with the Ex-Im Bank, OPIC and other US organizations to promote awareness of US financing sources.

- Despite difficulties, US firms often successfully compete against better-established European companies and have won significant Tunisian government contracts, especially in fields demanding cutting-edge US technology. The US Embassy in Tunis actively promotes these sectors as being the most attractive for US companies.

- US exporters to Tunisia should be aware that Tunisian law prohibits the export of currency as payment for imports before documents are presented to the bank confirming that the merchandise has entered the country. This is usually in the form of Tunisian customs authority documents. US exporters have used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

- US companies should also be extremely careful to verify with Tunisia's Central Bank (Banque Centrale de Tunisie) whether they are permitted to receive payment in foreign currency for services to customers resident in Tunisia. This issue has been the source of confusion and occasional difficulty for some US companies in Tunisia.

Market Opportunities Return to top

- For US companies, the best investment opportunities are in sectors that will benefit from US technology (hydrocarbons, power generation, transportation, and telecommunications) or to a lesser extent, in the more labor-intensive offshore, export-oriented industries such as the manufacture of textiles and mechanical or electrical equipment.

- Due to its moderate Mediterranean climate, Tunisia has a developing tourism industry, but niche travel is under-developed in areas away from the coasts. Investment possibilities include cultural or historical tours, golf packages, and desert tours.

- Agricultural opportunities for US producers remain bulk commodities, such as wheat, corn and some intermediate products such as soybean meal and planting seeds. The US market share, currently hovering around 10% of overall agricultural imports, has room for growth despite a price competitiveness gap with the EU caused by substantially higher freight costs and preferential access granted to the EU.

- There is a sizable market for agricultural equipment in Tunisia. A government decision to privatize grain storage has created demand for grain silos and elevators. These represent good opportunities for US suppliers.

Market Entry Strategy Return to top

- A company planning to invest in pure export operations, especially in manufacturing, faces few obstacles. The Government of Tunisia's investment promotion authorities have established a system of regulations that has received favorable feedback from US companies benefiting from them.

- Entering the domestic market, particularly in the services sector, is more difficult. Unless the company is working on a project actively solicited by the Tunisian government or is closely associated with one of the country's well-connected business groups, the process can be fraught with obstacles.

- US companies are strongly advised to obtain official confirmation from the Tunisian authorities of any exceptional conditions granted to a particular trade or investment operation.

- The US Embassy strongly encourages all US companies to visit Tunisia prior to entering into a business relationship.

Return to table of contents

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the US Department of State Background Notes.

www.state.gov/r/pa/ei/bgn/5439.htm

Return to table of contents

Chapter 3: Selling US Products and Services

Using an Agent or Distributor Return to top

Good local agents/distributors are crucial to introducing products into Tunisia. Their knowledge of the local market and local contacts can make the difference between success and failure. The Embassy's Commercial Section provides both the US Department of Commerce's International Company Profile and the International Partner Search services to assist US firms in finding potential partners.

Many Tunisian businesses are family-owned or controlled. While they might welcome foreign investment in distributing or marketing ventures, they can be resistant to the idea of ceding any management control of existing enterprises to outsiders. Distribution or marketing contracts should be very specific about financial obligations and performance measurements. US firms should also consider establishing contracts to cover a probationary period for the prospective partner.

- Tunisian law generally favors the party seeking to maintain a commercial contract. This makes it difficult for foreign firms to change distributors or agents after entering into a contractual relationship.

- Tunisian commercial legislation contains provisions designed to protect minority shareholder interests, which can result in disproportionate influence given to Tunisian minority partners.

- US companies should note that, with few exceptions, exclusive distribution contracts in Tunisia are forbidden by law.

Establishing an Office

Return to top

Establishing or, more accurately, registering an office of a foreign company in Tunisia is relatively simple. The Foreign Investment Promotion Agency (FIPA) offers a "one stop shop" service to investors seeking to establish a business in Tunisia. Generally, it takes about two weeks to complete the process. Companies should obtain the advice of a local lawyer before starting the process. The Embassy maintains a list of reputable English-speaking attorneys.

- Establishing a company is only the initial step toward commencing operations in the Tunisian market, and firms may need to complete a wide range of regulatory, licensing and logistical procedures before introducing their products or services to the market. This can be a long process, but the active involvement of FIPA can speed it up considerably.

FIPA's simplified procedures are not applicable to all commercial activities. The following activities require prior approval from the relevant government agencies: fisheries; tourism; transportation; communications; education and training; publishing and advertising; film production; health; real estate development; weapons and ammunition; machine-made carpets; waste treatment and recycling; manufacture of wine, tobacco, and edible oils.

Franchising

Return to top

There are signs that the Tunisian government is softening its opposition to traditional franchise arrangements. It has been reported that new legislation on franchising will be passed during the first half of 2007. In the past the Tunisian government has opposed traditional franchising, arguing there is no existing legal framework to regulate these operations satisfactorily. In addition, the Government of Tunisia has stated that it cannot permit foreign food franchises to operate because they could damage the livelihoods of small-scale local operators. This policy dates from 1996, when several US franchise projects underway at that time, including department stores and restaurants, were blocked by the Government.

- The Government of Tunisia used this policy to discourage a well-advanced project to introduce McDonalds to the Tunisian market.

- Although Pizza Hut was established in Tunisia by a Saudi Arabian franchise holder, and operated for three years, it was targeted in a government campaign which eventually led to its closure in 1999 on the basis of a legal technicality.

Franchise-style operations which market a high percentage of Tunisian-made goods in the company outlets (either locally or abroad) may be permitted, but approval is granted on a case-by-case basis. Some foreign companies with franchise-style operations in Tunisia are remunerated for “technical assistance” to companies in Tunisia via export payments authorized by the Central Bank. France's Carrefour hypermarket, which opened in 2001, has been publicized as a joint venture with a major Tunisian industrial group. Champion, another Carrefour group company, recently opened two smaller supermarkets. France's Casino chain of supermarkets opened a store under the Géant banner, in partnership with another major Tunisian group. All sell a wide range of locally manufactured and imported items.

- Until new legislation is passed, US companies should consider the Tunisian market closed to classic franchise operations requiring the export of royalty payments.

Direct Marketing Return to top

Direct marketing is still in its infancy. Tunisian business is largely dependent upon personal relationships. Customers increasingly expect access to after-sales service and are sometimes reluctant to purchase new products, technologies, or brand names in the absence of a local representative.

- Direct marketing is currently not an optimal way to introduce new products to Tunisia.

Joint Ventures/Licensing Return to top

US companies should be rigorous when selecting a partner and the Embassy strongly recommends that US firms retain management control of any joint venture company. Joint venture agreements should also clearly establish a binding dispute settlement procedure (such as referring cases to the International Court for Arbitration) acceptable to both parties. Licensing agreements have also worked well, but may require periodic visits to ensure adherence to quality control and other standards.

- There are several examples of very successful US/Tunisian joint ventures, but due diligence prior to considering a joint venture is essential.

Selling to the Government Return to top

The Tunisian government makes the majority of its purchases from foreign suppliers through public international tenders. These tenders are published widely in the local media; the larger tenders are also sometimes disseminated in selected foreign media. The Embassy's Commercial Section reports best prospects to the US Department of Commerce, which in turn informs prospective US suppliers. Tunisian legislation permits granting of certain contracts without recourse to public tender. Tunisia's Association Agreement with the EU bars non-EU countries from certain major tenders receiving EU financing. Bids on tenders must normally be submitted in French. In general, US firms have found that tender procedures require the submission of complex documentation within a very short period of time. Tunisian government agencies tend to adhere strictly to tender regulations and specifications. Firms have been disqualified for apparently minor problems such as submitting proposals with technically insignificant differences in specifications.

US bidders should not assume, as is often the case in the US, that potential customers are looking to the bidders to design solutions to a given problem. Tunisian government agencies typically arrive at desired solutions through pre-tender studies and then solicit specific equipment or services.

Bids that do not meet tender specifications even if technically superior to the solicited proposal will usually be disqualified. US bidders interested in submitting proposals at variance with the tender specifications should do so only as a clearly identified alternative to their principal, fully conforming bid. They should further ensure that submission of an alternative bid does not disqualify the main offer.

The government has a reputation for lengthy and persistent negotiations, and US firms are advised to allow for this in their initial bid. Negotiations on contracts won by US and other foreign firms have lasted as long as one year. Performance bonds of between 1% and 10% are common on government contracts. The government will generally adhere as strictly to the specifications of the contract as it does to the tender specifications, and it will expect similar adherence from the contractor. Major contracts require review by the Commission Superieure des Marchés, a quasi-independent contracting oversight office that reports to the Prime Minister. Some major contracts may also require approval by the Chamber of Deputies, which is normally in session from November to June.

US firms should be aware that many factors influence the Government's evaluation of bids, including:

- Contribution to the local economy via investment in, or partnership with a Tunisian entity.
- Transfer of skills or technology.
- Creation of employment (unlike the labor saving emphasis of the US market).
- The long-term financial impact (cost, financing packages, impact on the balance of trade).

While US bids have typically been very competitive on price and technology, European firms usually benefit from stronger financing packages and links to the local economy. Both US and European companies are disadvantaged by generous financing programs offered by countries such as China which are not bound by OECD regulations.

- There have been clear examples of non-transparency in the decision-making process. However, they have not been specifically aimed at US companies.

Distribution and Sales Channels

Return to top

Tunisian law allows both wholesale and retail marketing by foreign businesses. The Tunisian government has somewhat relaxed its policy of discouraging new foreign investment in domestic market retail distribution and publicly backed the opening of several hypermarkets, set up under joint ventures, with France's Carrefour and Casino groups. New legislation, designed to protect smaller businesses from this competition, aims to limit the number of hypermarkets authorized in a specific area.

Goods distribution in Tunisia is well organized. Goods typically enter Tunisia via one of the country's major sea ports (Tunis, Sousse, Sfax, and Bizerte) or the major freight center at Tunis Carthage airport, which handles 97% of the country's air freight traffic. There are good road and rail networks nationwide for distribution to all parts of the country.

Selling Factors/Techniques

Return to top

Although the official language is Arabic, French is widely spoken especially in business. Many Tunisians also speak English, and/or Italian and German.

- Business documentation should be in French.

- Use of e-mail is still not commonplace.

- Most Tunisian companies still use fax as the favored means of business communication.

Electronic Commerce

Return to top

Tunisia lags behind in the widespread use of e-commerce. Credit card operations and accounts have only recently appeared. However, Tunisian credit cards are **not** convertible to hard currency. Thus they cannot be used for purchases made on foreign commercial internet sites (e.g. E-bay). Debit cards can be used for internal Internet payment for some services, including public utilities and university registration. The Tunisian postal service operates an electronic payment system called e-dinar. Customers establish a virtual account and replenish it by purchasing credit at a post office. Many public services in Tunisia can be paid for using e-dinars.

- Tunisian bank customers use cash, debit cards or checks to make payment in stores, restaurants or for public services. An estimated 1.1 million debit cards are in circulation.

Trade Promotion and Advertising

Return to top

Many Tunisian companies are only now beginning to exploit advertising and trade promotion techniques. Although the sector is developing rapidly (12% growth from 2005 to 2006), it remains small, with total investment in advertising in 2006 estimated at only $80 million (according to a January 2007 "Sigma Conseil" survey). There are a number of different marketing/advertising opportunities, including sporting event sponsorship, industry-specific trade fairs, direct mail, outdoor/vehicle advertising, print media, and, to a lesser extent, electronic media. Company sponsorship of television programs, particularly locally-produced programs, is growing rapidly. The local print media in Tunisia generally accept paid advertising. There are accepted standards for advertising. References to religion are generally not permitted. Local attorneys or marketing specialists can advise foreigners on the acceptability of various aspects of a promotional campaign.

For marketing purposes, urban society in Tunisia is probably best described as similar to and heavily influenced by European standards. The state-run Tunisian broadcasting authority, ERTT, broadcasts two Arabic-language TV channels and transmits programs from Italy's Rai Uno. Satellite television is widely watched, and Tunisians closely follow Arabic satellite channels such as Al Jazeera. Mosaique, a private Tunisian radio station was launched in 2003, followed by a private television station, Hannibal, in 2004, and El Jawhara, another private radio station, in 2005. In February 2007, another private TV station, Nessma, was launched.

Foreign commercial advertising is accepted, but under standards applied even more strictly than for print media. The cost is the same for foreign or local-origin-goods for advertising in: newspapers (private or public), websites, private radio stations (like Mosaique or El Jawhara) and private TV channels (like Hannibal).
In the case of state-run Tunisian broadcasting authority, ERTT costs increase by 250% for advertised foreign-origin goods if there is a direct national competitor for that product.

Legally, the dominant portion of any storefront sign must appear in Arabic, although French-language signs are also permitted and widely used. This legislation is enforced sporadically.

There are a large number of industry-specific trade shows, general exhibitions, and promotional events. Most major Tunisian cities boast at least one exhibition center; Tunis has three (Le Kram, CIFCO and Tunis Expo). A major multi-sector fair, the Tunis International Fair, is held every two years at Le Kram. The most recent one was in October 2006.

Pricing

Return to top

Except for food items, many of which are subsidized local products or higher-priced regional imports, products on the local urban market are priced at levels roughly equivalent to major urban centers in the US.

- Price cutting at the retail level is a new and rapidly-increasing phenomenon, and small retailers are being forced out of the market by larger companies. This has resulted in new legislation being considered to protect smaller businesses from aggressive competition. The new legislation will limit the zones where large stores can operate.

- US durable goods (e.g., machine tools, generators) currently available on the Tunisian market tend to be significantly more expensive than European or Asian models. This cost differential is partly due to the duty-free import of EU products into Tunisia, but also because of the additional charges added on by European distributors of US goods whose licenses cover Tunisia.

In the past, possibly because of language or cultural differences, US suppliers of manufactured goods have been reluctant to deal directly with Tunisian distributors. However, the majority of local distributors have expressed a strong interest in eliminating the middleman – usually the European office that has responsibility for the regional market in existing distributor relationships.

Sales Service/Customer Support Return to top

Tunisian consumers are becoming accustomed to after-sales service and have begun to expect a higher degree of customer support. The Government of Tunisia has instituted measures to provide increased consumer protection, including a Ministry of Commerce-designed standard sales contract detailing the requirements of retail or manufacturer guarantees. The model contract is included as an annex to a 1999 law requiring specific clauses in all guarantees of electronic and household equipment. In addition to providing technical instructions in Arabic and French or English and providing for verification of proper functioning and good condition of merchandise, this law includes a schedule of reimbursements to be made if faulty merchandise cannot be adequately repaired within 15 days of notification from the consumer. Application of this legislation is not uniform.

Protecting Your Intellectual Property Return to top

In line with international obligations and in order to attract foreign direct investment, Tunisia has passed extensive legislation to protect intellectual property and, especially in 2006, made considerable progress in the stricter application of these laws.

Tunisian law provides for copyright and trademark registration and protection. To obtain enforcement, US firms must register their trademarks and industrial designs with the Tunisian Institute for Standardization and Industrial Property (INNORPI - Institut National de la Normalisation et de la Propriété Industrielle). Recent US government-supported initiatives, such as the US Department of Commerce's Commercial Law Development Program and US Patent and Trademark Office seminars, have offered training to Tunisian decision makers in the field of IPR regulation enforcement. Although Tunisian legislation prohibits the “disclosure” of research and other proprietary information submitted during patent and marketing licensing application, US companies contend that these steps are insufficient to prevent the unauthorized use of such data. The US government continues to advocate in favor of Tunisia’s strengthening its IPR laws.

Due Diligence Return to top

Market research firms, such as a representative office of Dun & Bradstreet International, are present in Tunisia, as well as public certified accountants affiliated with major international companies. These companies can supply limited credit information on a selective basis. However, it is often difficult to perform due diligence on banks, agents, and customers. Banks will not provide information on business clients without explicit permission from the clients themselves, and then will only provide limited details. Credit checks and reports are not readily available.

- US companies that require due diligence investigations are encouraged to contact the US Embassy in Tunis and inquire about its International Company Profile (ICP) service. The ICP service can provide extensive background information about a Tunisian company, including its capital, principals, foreign clients, market share, etc., but the financial details provided by the company’s bank are usually vague and non-committal.

Local Professional Services Return to top

Although the Embassy is not authorized to recommend any particular individual or company, it maintains a list of local attorneys, accountants and translators who have experience working with US companies and interests in Tunisia.

Web Resources Return to top

Tunisian Government www.ministeres.tn
Central Bank of Tunisia www.bct.gov.tn
FIPA (The Foreign Investment Promotion Agency) www.investintunisia.com
Tunisian Industrial Promotion Agency www.tunisieindustrie.nat.tn
General Information about Tunisia www.tunisie.com
Tunisian Yellow Pages www.pagesjaunes.com.tn
CEPEX (Exports Promotion Center) www.cepex.nat.tn
APBT (Association Professionnelle Tunisienne des Banques et des Institutions Financières – Tunisia Bankers’ Association) www.apbt.org.tn
UTICA (Union Tunisienne de l’Industrie du Commerce et de l’Artisanat) www.utica.org.tn
European Union (EU) http://europa.eu.int
IACE (Institut Arabe des Chefs d’Entreprise - Institute of Heads of Arab Companies) www.iace.org.tn

INNORPI (Institut National de la Normalisation et de la Propriété Industrielle
National Institute for Standardization and Industrial Property) www.inorpi.ind.tn

Return to table of contents

Chapter 4: Leading Sectors for US Export and Investment

Agricultural Sectors Return to top

Cereals and Feed Grains

Tunisia remains a significant market for cereals and feed grains, particularly during drought years when domestic rain-fed cereal output can be greatly reduced. According to INS (Institut National de la Statistique), during the first 11 months of 2006, aggregate cereal imports reached 2.4 million tons valued at nearly $390 million. Feed grain imports are almost exclusively made up of soy meal. Nearly 207,000 tons, worth about $50 million, were imported during the first 11 months of 2006 for the Tunisian poultry sector and, to a lesser extent, the dairy sector. The US wheat market share is highly volatile. It can reach 15 to 20% and then vanish the following year, as a result of ever-shifting market conditions, including the availability of cheaper wheat from the Black Sea region and/or subsidized wheat from the EU. Conversely, the US has been and continues to be the leading supplier of corn, traditionally capturing a 70% market share.

Grain Silos/Elevators, Agricultural Equipment

There is a sizable market for agricultural equipment in Tunisia. A government decision to privatize grain storage has created demand for grain silos and elevators. These represent good opportunities for US suppliers.

The Office of Agricultural Affairs (OAA) of the US Embassy in Tunis, Tunisia, is one of the overseas posts of the Foreign Agricultural Service (FAS) (http://www.fas.a.gov/) an agency of the US Department of Agriculture (USDA) (http://www.a.gov/)

Telecommunications Equipment/Services

Overview Return to top

Tunisia fulfilled a major commitment under the WTO basic telecommunications agreement (which required market access and same national treatment for foreign telephone service providers by January 2003) when the sector was opened up to foreign competition for a private cellular network license. No US companies bid for the license, which was awarded to Orascom of Egypt and marketed as Tunisiana. Tunisiana is a major success story and has well over 3 million subscribers. A Tunisian/Monegasque consortium (Planet Tunisie and Monaco Telecom), Divona, has been awarded the contract for operation of a Very Small Aperture Terminal (VSAT) license. Partial privatization of Tunisie Telecom, the state telecommunications agency, took place in early 2006 when 35% of its capital was sold to a Dubai-based consortium. All sectors of the telecommunication industry are expanding rapidly, and there are excellent opportunities for US companies. In recent years, US firms have been successful in fields such as fiber optics and local loop systems.

Opportunities Return to top

Overall penetration rates for fixed and mobile phones have more than quadrupled since 2001 reaching 69 per 100 at the end of 2005. The number of fixed lines was 1.2 million and total mobile lines reached 5.7 million. Tunisia now has one of the highest mobile phone subscriber rates in Africa. Now that Tunisiana's rapid expansion has reduced pressure on the GSM network operated by the national telecommunications agency, Tunisie Telecom, which has over three million subscribers, the agency is again turning its attention to promoting expansion of its land line telephone network, including an ongoing program to install 140,000 new lines (bringing the total up to 1.3 million land-lines). It is estimated that there are 1.2 million Internet users in Tunisia, but only about 177,000 actual subscribers. According to the latest INS statistics, as of 2005, PCs are present in approximately 7.2% of homes.

A new and rapidly expanding service industry in Tunisia is the operation of call centers. The infrastructure in country, coupled with good human capacity, supports this industry well, and there are over 20 call centers in operation. They serve primarily French-speaking clients, although some serve the Italian market and at least one, specialized in the health sector, operates in English serving the UK market. Time-zone differences may hamper the entry into the US market of Tunisian-based call centers.

Tunisia has been cautious on third generation (3-G) mobile phone technology, but Chinese telecommunications operator Huawei provided UMTS equipment for a trial of 3G services up to and during the UN World Summit on the Information Society in November 2005. Huwaei bids aggressively on current telecommunications tenders and has been able to offer exceptional financing terms that US and European competitors are not able to match. Siemens, Alcatel and Ericsson are the major European competitors in the sector. A second Chinese company, ZTE, is also active in the market.

Resources Return to top

Tunisian Government (Ministère des Technologies de la Communication Telecommunication Technology Ministry) www.ministeres.tn
ATI (Agence Tunisienne d'Internet / National Internet Agency) www.ati.tn
Tunisian Postal Service www.poste.tn

FIPA (The Foreign Investment Promotion Agency) www.investintunisia.com
Tunisian Industry (government site) www.tunisieindustrie.nat.tn

Electrical Power Systems

Overview

Return to top

The Government of Tunisia has stated that it views independent power projects (IPP) as the best way to meet Tunisia's annual 7% growth in electricity consumption. However, Societe Tunisienne du Gaz et de l'Electricite (STEG), the state utility company which operated a monopoly for many years, continues to demonstrate some resistance to private investment in the sector. Tunisia's first IPP, a 470 Megawatt (MW) combined cycle electrical power plant, started operation in 2002 and currently produces the majority of the 22% total power production by private ventures. The US–led consortium, Carthage Power, which installed a $260 million plant, was a joint venture between PSEG of New Jersey and a Japanese enterprise, Marubeni. The US stake of 60% was subsequently sold to BTU Ventures, a private equity and project development firm registered in Boston with shareholders from Qatar, Kuwait and Bahrain. General Electric has been particularly successful in marketing gas turbines in Tunisia for electricity production. A private US initiative to produce electricity from flared gas is also in operation. Societe d'Electricite d'El Bibane (SEEB) is a joint venture between US Caterpillar Power Ventures and the Canadian company Candax. SEEB successfully lobbied for a change in Tunisian legislation to permit the supply of privately produced electricity to STEG. It produces 27 MW for the national grid.

Natural gas supplies 98 percent of the fuel for Tunisia's electricity plants, which have total installed power of just over 2000 MW. Nearly half the gas comes from the off-shore Miskar field developed by British Gas. STEG generated 76% of the 12 billion Kilowatt hour (kwh) of electricity produced in 2005 (compared with 90% in 2001). In late 2005, it launched a tender for a 380/450 megawatt (MW) combined cycle electricity plant, to be built at Ghannouch (on the southern coast). The contract for this project, estimated to cost about $250 million, has not yet been awarded. It will be partially financed by an $88 million loan from AFESD (Arab Fund for Economic and Social Development).

STEG has a series of projects at various stages of development to meet an expected doubling in demand for electricity over the next 15 years. Following construction of the Ghannouch plant, Tunisia's second IPP will be launched in 2012. This will be a joint Tunisian/Italian project for a 1200/1400 MW plant at Haouaria, with 75% of production exported to Italy. Italian companies will build the plant, which will use natural gas from Algeria supplied via a trans-continental pipeline transiting from Algeria, acrossTunisia, and on to Italy. By 2016 STEG plans to launch a 400 MW combined cycle single shaft plant in the region of Bizerte. This will be followed by a 900 MW nuclear power plant which could be in production by 2020.

STEG recently launched a tender (2006 E 425, September 2006) for a long-awaited project to produce 120 MWs of electricity from wind energy. STEG's three selected sites and the tender are currently contested by a US wind energy investment group that has made a major investment in wind energy research and data collection on the specified sites. The use of solar energy remains limited and is currently used only by individual households and a few communal organizations.

Opportunities

Return to top

There are excellent opportunities for sales of US-origin power generation equipment in both GOT-operated and IPP electricity generation projects. The sector offers some of the largest and best opportunities both for equipment exports and, in the case of future Build-Own-Operate (B-O-O) or Build-Operate-Transfer (B-O-T) projects, investment in the Tunisian market. GE gas turbines are installed in many of Tunisia's electricity production units but there is strong competition from European competitors such as ABB (Switzerland), CGE (France), and Siemens (Germany).

Future trans-Maghreb projects include a plan to link the electricity distribution networks across North Africa, offering considerable opportunities for US suppliers of equipment and engineering services. Tunisia's national grid is already connected to Algeria's and work is ongoing to link it to the Libyan grid.

Resources

Return to top

Tunisian Government (Ministry of Industry)	www.ministeres.tn
ETAP (Entreprise Tunisienne d'Activites Petrolieres Tunisian Enterprise for Petroleum Activities)	www.etap.com.tn
STEG (Société Tunisienne de l'Electricité et du Gaz State gas and electricity Company)	www.steg.com.tn
FIPA (The Foreign Investment Promotion Agency)	www.investintunisia.com
Tunisian Industry (government site)	www.tunisieindustrie.nat.tn

Aircraft/Airport Ground Support

Overview

Return to top

Tunisair, the national airline (76% state ownership and 24% private ownership), had a majority Boeing fleet for many years but currently operates more Airbus aircraft. The company currently operates 29 planes (18 Airbus and 11 Boeing) and is planning to replace the aging fleet over the next ten years.

The company is again performing satisfactorily after a difficult post-9/11 period. A rigorous reorganization was carried out and the financial situation has improved considerably. Staff levels have been cut and some non-core operations – onboard sales, plane maintenance and airport services - have been spun off as partially private ventures.

In addition to Tunisair, Tunisia has two privately-run airlines, Nouvelair and Karthago, which mainly work with European tour operators. There are plans to amalgamate these two companies, which would result in a joint fleet of 20 Airbuses. There are two other small airlines operating from Tunisia: Tuninter, a subsidiary of Tunisair, operates internal and short distance flights; and Tunisavia, a private commercial fixed wing and helicopter operator, services desert and offshore petroleum installations.

Opportunities

Return to top

The contract award to build a new international airport at Enfidha is still pending, well over two years after bids were received. A decision is expected in early 2007 and the target date for completion is now 2009. This B-O-T project for Tunisia's seventh international airport, to be located between the Tunisian poles of Hammamet and Sousse, currently served by relatively distant Tunis Carthage Airport, was originally due to become operational in 2004. Costing an estimated $200 million, the new airport will have initial annual capacity of 5 million passengers. Early plans to increase capacity to 30 million by 2038 have been scaled back.

Resources

Return to top

Tunisian Government (Ministère du Transport
Tansport Ministry) www.ministeres.tn
Tunisair (National airline) www.tunisair.com.tn

OACA (Office de l'Aviation Civile et des Aéroports - Civil Aviation Agency)
www.oaca.nat.tn
FIPA (The Foreign Investment Promotion Agency) www.investintunisia.com
Tunisian Industry (government site) www.tunisieindustrie.nat.tn

Automotive Parts/Services/Equipment Return to top

Overview Return to top

During the past two years, passenger cars produced by US manufacturers have begun to penetrate the Tunisian market. In the past, due to very high taxes on large-capacity engine vehicles, the Tunisian market did not offer much potential for US automobile manufacturers.

Opportunities Return to top

The Tunisian automobile market is diversifying away from traditional European brands, so there is room for US manufacturers and suppliers of spare parts. Both GM (operated in Tunisia under the GM, Chevrolet and German-made Opel brands) and Ford have successfully entered the automobile car market. GM has been assembling Isuzu trucks for several years at a plant in central Tunisia.

Investment in manufacturing automobile components for export is a priority sector for the Government of Tunisia (see Chapter 6, Investment Climate). Several US companies have successfully invested in this sector.

Resources Return to top

Web Resources Return to top

Tunisian Government (Ministry of Commerce)	www.ministeres.tn
FIPA (The Foreign Investment Promotion Agency)	www.investintunisia.com
Tunisian Industry (government site)	www.tunisieindustrie.nat.tn

Architecture/Construction/Engineering Services

Overview

Return to top

There are no US construction companies currently active in Tunisia. Bechtel worked on building the now-completed British Gas plant at Sfax and participated in consortium bidding on the Enfidha airport project but closed its offices because decisions on this long-delayed project were not imment.

However, major opportunities in this sector will arise when work starts on a wide range of projects recently announced by Gulf investors. These include a $15 billion project to develop the southern shore of the Lake of Tunis, a $5 billion sports city to be built on the northern shore of the Lake, and a $1.88 billion tourism project near the planned international airport at Enfidha.

Work is well under way on a Japanese-financed $100 million project to build a seven kilometer bridge to replace the Rades-La Goulette ferry near the port of Tunis. The bridge will link the highway systems north and south of the capital and remove a major bottleneck.

Construction of new major interchanges within the city of Tunis has also begun. The number of vehicles on Tunisian roads grows by 7% each year and totaled an estimated 1.1 million in 2005, half of them in the Greater Tunis area.

Opportunities

Return to top

Gulf-based companies recently announced they plan to invest up to $20 billion in Tunisia, mainly in construction in the city of Tunis and the immediate suburbs.

Dubai Holding has plans to develop the southern shores of the Lake of Tunis, in a $15 billion project which will cover 683 hectares and contain commercial and residential centers housing up to 120,000 inhabitants. Plans include a 105-story tower, three-level overpasses, a football stadium, and the renovation of the old port of Tunis into a marina.

A $5 billion sports city covering 250 hectares will be built on the northern shores of the Lake of Tunis by the Emirati Al Boukhatir group. Work is due to start in 2007 and is expected to take five or six years. The project will include nine sports academies covering 36.5 hectares, golf courses, and a 125 hectare residential zone.

Dubai-based real estate group EMAAR has announced plans for a $1.88 billion tourism project at Enfidha. It will cover 442 hectares and include 4,000 luxury residences, six hotels, a yacht club, a marina, and a golf course.

Major development is underway in the Enfidha region, which the GOT wants to develop as a central transportation hub for Tunisia. In addition to a new airport, the government plans to create a deep-water B-O-T commercial port at Enfidha. The site for the $1.4 billion port lies near the airport. Initial feasibility studies have been carried out and a tender, originally expected before the end of 2006, may now be launched in March 2007. Tunisia's highway and railroad systems serve the area, and a nearby 3,000 hectare industrial zone has already been developed for future investment.

Tenders were launched in 2006 for three other major port projects: a $70 million container port at Rades, Tunisia's leading commercial port; a nearby cruise terminal; and a major logistics zone. The contract for the cruise terminal has been awarded; the other two have yet to be announced.

Major road construction projects underway include a 70 km extension to the existing western limited access highway taking it to Bou Salem, at a cost of $385, million and the extension of the existing Tunis-Sousse highway to Sfax, Tunisia's second largest city. This section will be opened during 2007, and further construction will link it to Ras Jedir, on the Libyan border, by 2013. Studies have begun on a 60-km highway from Tunis to El Fahs, in the direction of Kairouan in Central Tunisia. Regional long-term highway construction prospects include an Arab Maghreb Union (UMA) project to complete a trans-Maghreb highway linking Nouakchott, Mauritania to Cairo, Egypt via the Maghreb country capitals. The only portion of the trans-Tunisian highway for which plans have not yet been announced is the short stretch between Bou Salem and the Algerian border.

A contract has not yet been awarded for the construction of Tunisia's new oil refinery, the tender for which was launched late 2005. The refinery will be built at Skhira¸ on the southern coastline and site of Tunisia's major petroleum terminal. Tunisia's daily consumption of refined petroleum products is now over 80,000 barrels, two thirds of which are imported. The new plant will have a 120,000 barrel capacity, four times that of the only existing refinery, situated at Bizerte. Tunisia has only modest proven oil reserves and, with annual production stagnating, the country has been a net importer of oil for the past five years.

In addition to construction work, US companies can become involved in major infrastructure projects through supplying engineering services or developing partnerships with Tunisian construction companies. These types of opportunities have been successful in the past.

Resources Return to top

Tunisian Government (Ministère du Transport)	www.ministeres.tn
OACA (national civil aviation agency)	www.oaca.nat.tn
SNCFT (national railway company)	www.sncft.com.tn/default.asp
OMMP (national Ports office)	www.ommp.nat.tn

Pollution Control

Overview
Return to top

US exporters of these products and services face stiff competition from European competitors, which often provide attractive government-backed financing. Local representatives of European companies repeatedly remark on the lack of aggressivity shown by US companies in a field where they could have a much bigger share of the market.

Opportunities
Return to top

The market for all types of equipment for environmental protection and pollution control has enormous potential. Anticipated tenders for landfill, construction and management projects, coastal pollution projects and waste water treatment all offer good opportunities for US technology.

Resources
Return to top

ANPE (National Agency of Environment Protection) www.anpe.nat.tn/fr/links.asp

Chapter 5: Trade Regulations and Standards

Import Tariffs Return to top

Imports can be subject to tariff rates over 200%. Goods are also subject to a customs formality fee, currently amounting to 3% of the total duties paid on the import. Certain imports are also liable for a value added tax (VAT). Tunisia's basic VAT rates are 29%, 18%, 10% and 6%, with the majority of goods covered by the 18% rate. Recent changes in the calculation of the VAT tax base have resulted in slightly higher rates for some consumer goods that were previously taxed at 29%. Tunisia calculates VAT on the base price of the goods plus any import duties, surcharges, and consumption taxes. A consumption tax is applicable to certain imported and similar locally produced items. Rates can vary from 10% to as high as 700%. The highest rates are applicable to luxury items such as champagne.

Automobiles with large engine capacity also carry a high consumption tax, with rates rising to over 250%. The GOT has announced plans to reduce this to 100% on gasoline fueled vehicles and to 125% for diesel vehicles, if they are imported via an authorized distributor. Luxury cars currently enter Tunisian through a variety of unofficial routes and are available for sale at well below the official distributors' prices. The tax reduction is intended to make the prices of "officially" imported automobiles more competitive.

Trade Barriers Return to top

Tunisia is a founding member of the World Trade Organization (WTO). While maintaining restrictions on designated strategic areas, the Tunisian government has pursued a program of liberalizing imports.

- Approximately 97% of imports do not require prior authorization.
  In 1986 only 23.6% of imports could be freely imported.

Tunisia still has non-tariff barriers, such as import licenses or quotas on certain products. These particularly apply to consumer goods that compete against locally-produced equivalents manufactured by developing industries or to products for which there is no domestic production to satisfy consumer demand. The major categories affected by import restrictions are motor vehicles, in particular passenger cars, and pharmaceuticals. Automobile distributors officially representing foreign manufacturers are granted allotments of the annually-set national quota for the import of small-engine cars. These allotments are based to some extent on the amount of Tunisian-produced automobile components utilized in the foreign manufacturer's automobile designs. Importers have to request an allotment from the Government of Tunisia in order to receive an import license. This quota system is only for small engine cars; however, in general, individual Tunisian consumers may not import foreign vehicles privately, due to strict foreign exchange controls.

Working within the letter of WTO requirements, Tunisia vigorously protects its domestic pharmaceutical industry. Several multinationals have complained about the "correlation" system under which, upon request from a Tunisian pharmaceutics manufacturer, the importation of a foreign drug similar to the one produced locally can be banned. The Government of Tunisia issued a circular ending "correlation" effective December 31, 2006. However, this circular is not retroactive, therefore pharmaceutical products on the correlation list prior to December 31, 2006 still cannot be imported. Companies may appeal the listing of their respective products if the product was placed on the correlation list between January 1, 2005 and December 31, 2006.

Inconsistent procedures within the Tunisian customs administration can also be a major obstacle for importers. Government use of non-tariff barriers has sometimes led to the delay or rejection of goods shipped to Tunisia. However, this is not common practice and is not aimed specifically at goods imported from the United States. Importers have experienced extended delays in customs clearance due to legally required, but not uniformly invoked, technical and quality control investigations on various items.

Agricultural products are generally assessed with high import duties and in some cases face other import barriers. Tunisia often gives preferential tariff rates to agricultural products originating in Arab and North African nations.

Import Requirements and Documentation Return to top

Tunisian law prohibits the export of foreign currency from Tunisia as payment for imports prior to the presentation to the bank of certain documents which serve to confirm that the merchandise has entered the country. Usually Tunisian customs authority documents are used for this. Importers obtain hard currency for payment by presenting the documents to their commercial bank.

- To ensure payment, US exporters have used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

Other than applicable import license requirements, no specific documentation is required.

US Export Controls
Return to top

Relatively few exports require an export license. Licenses are required in certain situations involving national security, foreign policy, short-supply, nuclear nonproliferation, missile technology, chemical and biological weapons, regional stability, crime control, or terrorist concerns. License requirements are dependent upon an item's technical characteristics, the destination, the end-use, the end-user, and other activities of the end-user, as well as the likelihood that an item will be diverted from its original shipment location or purpose and transshipped to another, unrecorded location. It is the responsibility of the company seeking to do business in Tunisia to determine whether or not an export license is necessary for its product or service. The Department of Commerce, Bureau of Industry and Security provides some guidance at: http://www.export.gov/exportcontrols.html

Temporary Entry
Return to top

Offshore enterprises are allowed temporary entry of goods and equipment. Goods are allowed limited duty-free entry into Tunisia for transformation and re-exportation. Factories set up under this scheme are considered bonded warehouses and have their own assigned customs personnel.

- Goods may also be granted temporary duty-free entry for use in trade shows, but the establishment of adequate prior documentation is vital. Otherwise customs duties may be payable on promotional material of no commercial value.

Labeling and Marking Requirements
Return to top

The Consumer Protection Law of 1992 established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally made items produced for the domestic market. The labeling of items produced for export must meet international standards.

Prohibited and Restricted Imports
Return to top

Imports of explosives, military, and security-related equipment are tightly controlled and are only allowed under license. Narcotics and pornographic items are strictly forbidden.

Customs Regulations and Contact Information Return to top

The Tunisian customs authorities newly-launched website does not provide tariff data. This information is available on-line to various categories of professionals, including freight companies, who are linked to a specialized site known as SINDA. The customs authority's newly-launched website indicates how to access this system.

A hard copy of tariff and other customs fees is contained in the "Nomenclature de Dedouanement des Produits" document, but this has not been updated since 2002 and is now out-of-date.

Tunisia's customs authorities can be contacted as follows:

Direction Générale des Douanes
5 Rue Ichbilila
Tunis
Tel: (216) 71-353-685
Fax: (216) 71-353-257
http://www.douane.gov.tn

Standards Return to top

Overview Return to top

Tunisian consumers are gradually becoming aware of their right to expect certain standards.

- Products available on the flourishing parallel market in Tunisia often do not meet acceptable safety standards.

Standards Organizations Return to top

Tunisia is currently embracing ISO 9000/9002 standards. The National Institute for Standardization and Industrial Property (INNORPI) is responsible for establishing national standards and has instituted ISO 14000 certification procedures. Many firms in the industrial sector have already achieved ISO 9000 or 9002 certification. Tunisian consumers are gradually becoming aware of their right to certain standards.

NIST Notify US Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify US is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

Return to top

INNORPI is responsible for coordinating the creation of norms and standards, certification and information relating to these, as well as the general program of development of technical norms, certification of quality of products, and management of national trademarks for conformity.

Publication of Technical Regulations

Return to top

INNORPI is responsible for coordinating the creation of norms and standards, certification and information relating to these, as well as the general program of development of technical norms, certification of quality of products, and management of national trademarks for conformity.

Labeling and Marking

Return to top

The Consumer Protection Law of 1992 established standard labeling and marking requirements. However, these regulations are not always fully enforced for locally-made items produced for the domestic market. The labeling of items produced for export must meet international standards.

Trade Agreements

Return to top

Tunisia is a member of the Arab Maghreb Union (UMA) consisting of Tunisia, Algeria, Morocco, Mauritania, and Libya, a political/economic grouping across North Africa. The UMA nominally allows duty-free trade among members although barriers to trade remain.

Tunisia's most effective free trade agreement has come via its Association Agreement with the EU, which grants preferential access for most Tunisian exports, except certain textile and agricultural products. Tunisia formally ratified its Association Agreement with the EU in June 1996. The agreement will gradually lower tariffs to zero over a 12-year period ending in 2008. Tunisia receives assistance from the EU for its local industries during this transitional period. The framework for a free trade agreement with Egypt, Jordan, and Morocco, known as the Agadir Agreement, was signed in early 2004. This agreement, a framework for a free trade agreement with Egypt, Jordan, and Morocco, will create a potential market of over 100 million people. Tunisia is also a signatory to several bilateral trade agreements.

Web Resources

Return to top

Tunisian Government (Ministère du commerce et de l'Artisanat
Ministry of Commerce) www.ministeres.tn
European Union http://europa.eu.int
INS (Institut National de la Statistique
National Statistics Institute) www.ins.nat.tn
INNORPI (Institut National de la Normalisation et de la Propriété Industrielle
National Institute for Standardisation and Industrial Property) www.inorpi.ind.tn
JORT (Journal Officiel de la République Tunisienne
www.cnudst.rnrt.tn/index26e1.html

JORT mailing address
Imprimerie Officielle
Avenue Farhat Hached
2098 Rades
Tunisie
Tel: (216)-71-434-211

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

The Tunisian government actively encourages selected foreign direct investment (FDI), particularly for export-oriented industries. It screens potential FDI to minimize the impact of the investment on domestic competitors and employment.

Total FDI in Tunisia is estimated at about US $19 billion. It has contributed to the creation of over 2,765 companies and approximately 268,000 jobs. Foreign investment in manufacturing industries producing for export has long been the major generator of jobs in Tunisia and has attracted the bulk of FDI. In 2006, FDI totaled US $921 million, compared to about 750 million in 2005.

Until recently the Government discouraged foreign investment in service sectors such as restaurants, real estate, and retail distribution, but there are signs of relaxation of this policy. In particular, FDI in retail distribution is expanding rapidly. French multinational retail chain Carrefour opened its first store in 2001, followed by the entry of French retail company Géant in 2005. There has also been major Persian Gulf investment in the real estate sector. Tunisian law does not authorize franchising as the rule but it tolerates, on case by case basis, labor intensive franchising projects that could increase job creation.

The 2002 sale of the country's first private GSM cell phone license to Egypt's Orascom underlined Tunisia's commitment to WTO to open up telecommunications to foreign investment. In July 2006, TECOM Investments and Dubai Investment Group (DIG) purchased a 35 per cent stake, valued at US $2.25 billion, in state-owned Tunisie Telecom. Major FDI has also entered the financial sector via the partial privatization of the UIB (Union Internationale de Banques) in 2002, when 52 percent of its capital was sold to France's Société Générale. The privatization of Banque du Sud, recently renamed Attijari Bank, was completed in late 2005. The Spanish/Moroccan consortium, which paid approximately US $45 million for the state's 34 percent share of the bank's capital, gained majority control of the bank when it also purchased a 17 percent block of shares from a private Tunisian group.

Foreign investment in Tunisia is regulated by the Investment Code Law No. 93-120, dating from December 1993. It covers investment in all major sectors of economic activity except mining, energy, the financial sector and domestic trade.

The Tunisian Investment Code divides potential investments into two categories:

- Offshore, in which foreign capital accounts for at least 66 percent of equity and at least 80percent of production is destined for the export market, and

- On-shore, in which foreign equity is limited to 49 percent in most non-industrial projects. (On-shore industrial investment can have up to 100 percent foreign equity).

The legislation contains two major hurdles for potential FDI:

- Foreign investors are denied national treatment in the agriculture sector. Foreign ownership of agricultural land is prohibited, although land can be secured through long-term (up to 40 years) lease. However, the Government actively promotes foreign investment in agricultural export projects.

- For onshore companies outside the tourism sector, government authorization is required if the foreign capital share exceeds 49 percent.

Investment in manufacturing industries, agriculture, agribusiness, public works, and certain services requires only a simple declaration of intent to invest. Other sectors can require a series of Government of Tunisia authorizations.

FDI in certain state monopoly activities (electricity, water, postal services) can be carried out following establishment of a concession agreement. There are also certain restrictions on trade activities. With few exceptions, domestic trading can only be carried out by a company set up under Tunisian law, in which the majority of the share capital is held by Tunisians and management is Tunisian. An additional barrier to non-EU investment results from Tunisia's Association Agreement with the European Union. The EU is providing significant funding to Tunisia for major investment but clauses in the agreement prohibit non-EU member countries from participation in many EU-funded projects.

A large share of Tunisia's FDI in recent years has come from a privatization program to sell off state-owned or state-controlled enterprises. The program began in 1987 with the sale of the smallest and least viable public sector enterprises, but has since included major state assets. Enterprises currently involved in the privatization process include Tunisie Telecom, the government telecommunications service. Tenders have also been launched for the partial sale of the national petroleum distribution company (SNDP) and the state automobile manufacturer (STIA). The planned sale of a 76.3 percent stake in Magasin General, the Government of Tunisia's 43-store supermarket chain, is ongoing.

As the Government of Tunisia's privatization program slows down, Tunisia will no longer receive large amounts of FDI from the privatization of state assets and maintaining current FDI levels may become a challenge.

The Ministry of Development and International Cooperation and the Foreign Investment Promotion Agency (FIPA) Tunisia hold an annual investment promotion event, the Carthage Investment Forum, to introduce the Tunisian investment environment and its business opportunities to global investors. The 8th Forum was held on June 15-16, 2006.

There is no evidence of consistent discrimination against foreign investors either at the time of initial investment or at a later stage. The GOT's investment promotion authorities have established a system of regulations that has received favorable feed back from the US companies it has assisted. A US investor in electricity production successfully lobbied for a change in Government of Tunisia legislation which permitted the investment to proceed. Another US investor received Government of Tunisia support in a dispute over the application of Investment Code incentives. A major "greenfield" investment in manufacturing has been completed and is operational. The US investor has warmly praised FIPA for its continuing support from the outset of the project.

Nevertheless, there are difficulties, particularly when US companies have attempted to launch projects in sectors which the Government of Tunisia does not actively promote.

Tunisia's largest single foreign investor is British Gas, which has developed the Miskar offshore gas field (US $650 million) and is investing a further US $500 million for new development. Major foreign presence in other key sectors include telecommunications and electronics (Lucent, Alcatel, Ericsson, Siemens, Sony, Philips, Thomson, Huwaei, ZTE), the automotive industry (Lear Corporation, Isuzu, Pirelli, Fiat, Idec), and food products (Nestle, Danone, Chambourcy). Major US company presence in Tunisia includes: Lear Corporation, Citibank, Exxon/Mobil, Pfizer, Merck, Microsoft, General Motors, Coca-Cola, Ford, Sara Lee (represented in Tunisia under the name of Essel Tunisie / DBA), Sylvania, Stream, Crown Can, Johnson Controls, and Eurocast (a joint venture with Palmer). EVOL, originally part of an Italian-owned group producing safety footwear for the export market, was recently purchased by US investors and, with a staff of 4,000, is now the largest US employer in Tunisia. In 2006, a second US shoemaker, ALTEK, opened a plant in Tunisia, and Hewlett Packard opened a hardware support call center. US investors also recently purchased the Lee Cooper jean manufacturing plants originally under UK/Tunisian ownership.

Conversion and Transfer Policies Return to top

The Tunisian dinar is not a fully convertible currency, and it is illegal to take dinars in or out of the country. Although it is convertible for current account transactions (i.e. most bona fide trade and investment operations), Central Bank authorization is needed for some foreign exchange operations. The Government of Tunisia predicts full convertibility of the dinar is not likely before 2009.

Nonresidents are exempt from most exchange regulations. Under foreign currency regulations, nonresident companies are defined as having:

- Nonresident individuals who own at least 66 percent of the capital, and
- Capital financed by imported foreign currency.

Foreign investors may transfer returns on direct or portfolio investments at any time and without prior authorization. This applies to both principal and capital in the form of dividends or interest. US companies have praised the speed of transfers to outside Tunisia, but lamented inexplicably long delays in some operations.

There is no limit to the amount of foreign currency that visitors can bring into Tunisia and exchange for Tunisian dinars. Amounts exceeding the equivalent of 1,000 Tunisian dinars (approximately US $800) must be declared at the port of entry. The unused balance of such foreign currency may be taken out of the country. Tunisian customs authorities may require production of currency exchange receipts on exit.

The dinar is traded on an intra-bank market. Trading operates around a managed float established by the Central Bank (based upon a basket of the Euro, the US dollar and the Japanese yen). The dollar/dinar value fluctuates on a daily basis, with the dollar trading most recently (December 2006) at approximately 1.3 TND. In 2006, the TND appreciated roughly 4.4 percent against the US dollar and depreciated 5.4 percent against the Euro.

Expropriation and Compensation

Return to top

The Tunisian government does expropriate property by eminent domain; there is no evidence of consistent discrimination against US and foreign companies or individuals. There are no outstanding expropriation cases involving US interests and such cases are rare. No policy changes on expropriation are anticipated in the coming year.

Dispute Settlement

Return to top

There is no pattern of significant investment disputes or discrimination involving US or other foreign investors. However, to avoid misunderstandings, contracts for trade and investment projects should always contain a clause detailing how eventual disputes should be handled and the applicable jurisdiction. Tunisia is a member of the International Center for the Settlement of Investment Disputes and is a signatory to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The Tunisian legal system is based upon the French Napoleonic code. There are adequate means to enforce property and contractual rights. Although the Tunisian constitution guarantees the independence of the judiciary, the judiciary is not fully independent of the executive branch. Local legal experts assert that courts are susceptible to political pressure.

The Tunisian Code of Civil and Commercial Procedures does allow for the enforcement of foreign court decisions under certain circumstances. Commercial disputes involving US firms are relatively rare. Several US firms have successfully sought patent and trademark protection through the Tunisian courts. Although the concept and application of intellectual property protection is still in the early stages, the Government is making an effort to build awareness. A US government-backed initiative, operated by the Department of Commerce in conjunction with United States Patent and Trademark Office (USPTO) has launched a program to train Tunisian decision makers in the field of IPR regulation enforcement.

The Government of Tunisia has a good record in recent years of dealing with disputes involving US companies, although the government's 1995 seizure of a US commercial consignment was eventually settled without compensation. In 1999 a Tunisian court ruling originally prevented a US investor from exercising his managerial authority as the majority shareholder in a Tunisian company, but this case was eventually settled in the Tunisian Supreme Court in favor of the US investor. In 2001 a US company was awarded damages by a Tunisian court against its Tunisian representative for illegal registration of trademarks owned by the US manufacturer.

Performance Requirements and Incentives Return to top

Performance requirements are generally limited to investment in the petroleum sector or in the newer area of private sector infrastructure development. These requirements tend to be specific to the concession or operating agreement (e.g., drilling a certain number of wells or producing a certain amount of electricity). More broadly, the preferential status (offshore, free trade zone) conferred upon some investments is linked to both percentage of foreign corporate ownership and limits on production for the domestic market.

The Tunisian Investment Code and subsequent amendments provide a broad range of incentives for foreign investors, including:

- Tax relief on reinvested revenues and profits;
- VAT limitation to 10 percent on many imported capital goods;
- Optional depreciation schedules for production equipment.

Further benefits are available for investments of a specific nature. For example, companies producing at least 80 percent for the export market receive:

- Full tax exemption on profits for the first ten years and 50 percent reduction in taxes on profits thereafter;
- Full tax exemption on reinvested profits and revenue;
- Duty-free import of capital goods with no local equivalents;
- Full tax and duty exemption on raw materials and semi-finished goods and services necessary for the business.

Large investments with high job creation potential may benefit, under certain conditions determined by the High Commission on Investment, from the use of state-owned land for a symbolic Tunisian dinar (less than one US dollar). Investors who purchase companies in financial difficulty may also benefit from certain clauses of the Investment Code; these advantages are determined on a case-by-case basis.

Additional incentives are available to promote investment in designated regional investment zones in economically depressed areas of the country, and throughout the country in the following sectors: health, education, training, transportation, environmental protection, waste treatment, and research and development in technological fields.

Foreign companies resident in Tunisia face a number of restrictions related to the employment and compensation of expatriate employees. Tunisian law limits the number of expatriate employees allowed per company to four. There are lengthy renewal procedures for annual work and residence permits. Although rarely enforced, legislation limits expatriate work permit validity to a total of two years. Central Bank regulations impose administrative burdens on companies seeking to pay for temporary expatriate technical assistance from local revenue. For example, a foreign resident company that has brought in an accountant would have to document that the service was necessary, fairly valued, and unavailable in Tunisia before it could receive authorization to transfer payment from its operations in Tunisia. This regulation prevents a foreign resident company from paying for services performed abroad.

In November 2006, Tunisian President Zine El Abidine Ben Ali announced that the tax on corporate profits will be decreased from 35 percent to 30 percent. Additionally, the annual ceiling for foreign investments (without special authorization) will be raised from 300,000 TND (about US $234,000) to one million TND (about US $780,500). For exporting companies, the cap will be three million TND (about US $2.34 million). According to the recently announced measures, companies registered domestically will no longer need permission to increase their capital and non-residents will be allowed to freely manage their corporate accounts. These measures have yet to go into effect.

Right to Private Ownership and Establishment Return to top

Tunisian government actions clearly demonstrate a strong preference for offshore, export-oriented FDI. Investors in that category are generally free to establish and own business enterprises and engage in most forms of remunerative activity. Investment which competes with Tunisian firms or on the Tunisian market or which is seen as leading to a net outflow of foreign exchange may be discouraged or blocked.

Acquisition and disposal of business enterprises can be complicated under Tunisian law and depend on the nature of the contract specific to the proposed transaction.

Disposal of a business investment leading to reductions in the labor force may be challenged or subjected to substantial employee compensation requirements. Acquisition of an on-shore company may require special authority from the Government if it is an industry subject to limits on foreign equity shareholding (such as in the services sector).

Protection of Property Rights Return to top

Secured interests in property are both recognized and enforced in Tunisia. Mortgages and liens are in common use. Tunisia is a member of the World Intellectual Property Organization (WIPO) and has signed the United Nations

(UNCTAD) Agreement on the Protection of Patents and Trademarks. The agency responsible for patents and trademarks is the National Institute for Standardization and Industrial Property (INNORPI). Foreign patents and trademarks should be registered with INNORPI.

Tunisia's patent and trademark laws are designed to protect only owners duly registered in Tunisia. In the area of patents, US businesses are guaranteed treatment equal to that afforded to Tunisian nationals. Tunisia recently updated their legislation to meet the requirements of the WTO agreement on Trade-Related aspects of Intellectual Property (TRIPS). Copyright protection is the responsibility of the Tunisian Copyright Protection Organization (OTPDA - Organisme Tunisien de Protection des Droits d'Auteur), which also represents foreign copyright organizations. New legislation now permits customs officials to inspect and seize goods if copyright violation is suspected.

Tunisian copyright law (No. 36/1994) has been updated to cover new technologies, but its application and enforcement have not always been consistent with foreign commercial expectations. Print audio and video media are considered particularly susceptible to copyright infringement, and there is evidence of significant commercial sale of illegal products in these media. Illegal copying of software/CDs/DVDs is widespread. Over the past year, the Government of Tunisia has begun to demonstrate a more proactive stance on IPR matters and has increased its enforcement efforts in this area. For example, these efforts have led a major supermarket chain to halt the sale of pirated audio and video goods.

Transparency of Regulatory System Return to top

The Tunisian government has adopted policies designed to promote foreign investment and to prepare Tunisian industry for free competition with foreign markets. Although the 1994 Investment Code substantially improved, standardized, and codified incentives for foreign investors, some aspects of existing tax and labor laws remain impediments to efficient business operations.

Bureaucratic procedures, while slowly improving in some areas, are cumbersome and time-consuming. Foreign employee work permits, commercial operating license renewals, infrastructure-related services, and customs clearance for imported goods are usually cited as the lengthiest and most opaque procedures in the local business environment. Investors have commented on inconsistencies in the application of regulations. These cumbersome procedures are not limited to foreign investment and also affect the domestic business sector.

Efficient Capital Markets and Portfolio Investment Return to top

The mobilization and allocation of investment capital are still hampered by the underdeveloped nature of the local financial system. Interest in stocks and bonds is flat and the stock market has difficulty attracting capital investment. Capital controls are still in place. Foreign investors are permitted to purchase shares in resident firms (through authorized brokers) or to purchase indirect investments through established mutual funds.

The banking system is considered generally sound and is improving as the Central Bank has begun to enforce adherence to international norms for reserves and debt. Recent measures include actions to strengthen the reliability of financial statements, enhance bank credit risk management, and improve creditors' rights. Revisions to banking laws tightened the rules on investments and bank licensing, and increased the minimum capital requirement. The required minimum risk-weighted capital/asset ratio has been raised to 8 percent, consistent with the Basel Committee capital adequacy recommendations. Thirteen of the country's fourteen banks conform to the ratio, compared with only two in 1993. Despite the strict new requirements, many banks still have substantial amounts of non-performing or delinquent debt in their portfolios. The Government has established debt recovery entities (sociétés de recouvrement de créances) to buy the non- or under-performing debt of commercial banks. There is no information available on the success of this measure.

In spite of recent bank privatizations, government presence remains dominant in the banking sector. The government is the controlling shareholder in 11 of the 20 commercial and development banks. Out of 14 commercial banks, 9 are under private ownership, and 5 under government majority ownership, following the privatization of two banks in 2002 and 2005. The estimated total assets of the country's five largest banks are about US $10 billion. Foreign participation in their capital has risen significantly and is now well over 20 percent.

Consolidation activity is moving Tunisia closer to meeting its financial sector restructuring goals. Tunisia's leading commercial bank, STB (Société Tunisienne de Banque), has merged with the Government of Tunisia's economic and tourism development banks (BDET and BNDT) under the STB banner. The UIB (Union International de Banques) was privatized in late 2002, when 52 percent of its capital was sold to France's Société Générale for US $72 million. The 35 percent Government of Tunisia share of the Banque du Sud, now Attijari Bank, was sold to a Spanish/Moroccan consortium in late 2005. At the same time, the consortium purchased a block of privately-owned stock and therefore gained control of the bank with a 52 percent interest.

Credit is available locally to foreign investors, but some industry observers assert that there exists a well-established collusion among the principal banks to set common interest rates.

In the last five years regulatory and accounting systems have been brought more in line with required international standards. Most of the major global accounting firms are represented in Tunisia. Tunisian firms quoted on the stock exchange are required to publish semiannual corporate reports audited by a certified public accountant.

In mid-2005 the Tunisian Central Bank issued a new Euro-denominated bond on the London financial market. The issued totaled over US $496 million (400 million Euros) with a maturity of 15 years In 2004 the Government of Tunisia sold a similar bond with a total value of nearly US $550 million and seven-year maturity.

Political Violence

Return to top

Tunisia is a stable country and incidents involving politically-motivated damage to economic projects or infrastructure are extremely rare. In April 2002 21 people, 14 of them German tourists, were killed in an al-Qaeda-sponsored terrorist attack at a synagogue on the island of Djerba. This resulted in a significant reduction in the number of European visitors in the immediate aftermath of the attack, but the sector has now recovered. In December 2006 and January 2007 the Government of Tunisia announced that Tunisian security forces engaged a terrorist group, killing or capturing many individuals who reportedly planned to carry out acts of violence in Tunisia. The US Embassy in Tunis was reportedly among the group's intended targets.

Corruption

Return to top

Tunisia's penal code devotes eleven articles to defining and classifying corruption and to assigning corresponding penalties (including fines and imprisonment). Several other legal texts also address broader concepts of corruption including violations of the commercial or labor codes, which range from speculative financial practices to giving or accepting bribes. Detailed information on the application of these laws or their effectiveness in combating corruption is not available. There are no statistics specific to corruption. The Tunisian Ministry of Commerce publishes information on cases involving the infringement of the commercial code, but these incidents range from non-conforming labeling procedures to price/supply speculation. The print media report abuses of fiduciary authority by public officials only on rare occasions. Anecdotal reports from the Tunisian business community and US businesses with regional experience suggest that corruption exists, but is not as pervasive as that found in neighboring countries. After several years of steady improvement on Transparency International's (TI) Corruption Index, Tunisia's ranking dropped from 43 to 51 in 2006 with a score of 4.6. According to the TI Corruption Index scale, a score of ten indicates extremely little corruption and a score of zero very serious corruption.

Tunisian law prohibits either giving or receiving a bribe. Penalties range from one to ten years imprisonment and fines up to twice the amount of the bribe. (Members of the judiciary convicted of involvement in bribery can be imprisoned for 20 years.) The prohibition extends to bribes to foreign officials. Public tenders require bidders to provide a sworn statement that they have not and will not, either themselves or through a third party, make any promises or give gifts with a view to influencing the outcome of the tender and realization of the project.

Most US firms involved in the Tunisian market have not identified corruption as a primary obstacle to foreign direct investment. Some potential investors have asserted that unfair practices and corruption among prospective local partners have delayed or blocked specific investment proposals, or there has been an appearance that cronyism or influence peddling has affected some investment decisions.

The government's recent efforts to combat corruption have concentrated upon ensuring that price controls are respected, enhancing commercial competition in the domestic market, and harmonizing Tunisian laws with their counterparts in the European Union. The public sector is governed by a comprehensive 1989 law designed to regulate each phase of public procurement and established the “Commission Supérieure des Marchés” (CSM - Higher Market Commission) to supervise the tender and award of major contracts. The government publicly supports a policy of transparency and has called for it in the conduct of privatization operations. The US government requires that American companies requesting US government advocacy support with foreign governments sign an undertaking not to participate in corrupt practices.

The Ministry of Commerce's "Competitiveness Council" and its related regional branches (Brigades Economiques) have primary responsibility for identifying and reducing corruption. A variety of other bodies exist within each institution of the government to oversee the execution of public sector contracts. The value of the contract determines the level and identity of the responsible oversight committee, with the largest projects falling under the purview of the Higher Market Commission (CSM). This body reports directly to the Prime Minister.

Bilateral Investment Agreements

Return to top

A Trade and Investment Framework Agreement (TIFA) between Tunisia and the United States was signed in 2002 and two TIFA Council meetings have taken place. A Bilateral Investment Treaty between Tunisia and the United States took effect in 1991. A 1985 treaty (and 1989 protocol) guarantees US firms freedom from double taxation.

Tunisia has concluded bilateral trade agreements with approximately 60 countries. Tunisia has signed the Agreement on WTO, bilateral agreements with the Member States of the European Free Trade Association (EFTA), bilateral and multilateral agreements with the Arab League members, and a bilateral agreement with Turkey. In 2008, Tunisia’s Association Agreement with the EU will go into effect creating a free trade zone between Tunisia and the EU member states. In addition, Tunisia is signatory of the multilateral agreements with the Multilateral Investment Guarantee Agency (MIGA).

OPIC and Other Investment Insurance Programs

Return to top

OPIC is active in the Tunisian market and provides political risk insurance and other services to a variety of US companies. OPIC supports private US investment in Tunisia and has sponsored several reciprocal investment missions. The 1963 OPIC agreement with Tunisia has been revised and was signed in February 2004.

Labor

Return to top

Tunisian labor is readily available. Tunisia has a labor force of approximately 3.5 million and a national literacy rate of about 75 percent. About 90 percent of the work force under 35 is literate. The official unemployment rate is under 14 percent (although this is considerably higher in some regions). The figure does not include many who are underemployed.

Nearly 80,000 new jobs must be created each year to keep unemployment at current levels, while sustained annual GDP growth of about 7 percent would be required in order to make significant inroads into the chronic unemployment figure. The structure of the workforce has remained stable over the past 20 years (19 percent agriculture, 32 percent industry, and 49 percent commerce and services).

The right to form a labor union is protected by law. There is only one national labor confederation, the General Union of Tunisian Workers (UGTT - Union General des Travailleurs Tunisiens). The UGTT claims about one third of the labor force as members, although more are covered by UGTT-negotiated contracts. Wages and working conditions are established through triennial collective bargaining agreements between the UGTT, the national employers association (UTICA - Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat), and the Government of Tunisia. These agreements set industry standards and generally apply to about 80 percent of the private sector labor force, whether or not individual companies are unionized. The most recent wage agreements were completed in 2006 and are valid through 2008. The official minimum monthly wage in the industrial sector is 200 TND (about US $156) for a 40 hour week and 231 TND (about US $180) for a 48 hour week.

Foreign-Trade Zones/Free Ports

Return to top

Tunisia has two free trade zones, one in the north at Bizerte, and the other in the south at Zarzis. The land is state owned, but the zones are each managed by a private company. Companies established in the free trade zones, officially known as "Parcs d'Activités Economiques," are exempt from most taxes and customs duties and benefit from special tax rates.

Offshore enterprises operating outside these zones benefit from similar advantages. Goods are allowed limited duty-free entry into Tunisia for transformation and re-export. Factories are considered bonded warehouses and have their own assigned customs personnel.

However, companies do not necessarily have to be located in one of the two designated free-trade zones to operate with this type of business structure. In fact, the majority of off-shore enterprises are situated in various parts of the country. Regulations are strict, and operators must comply with the 1993 Investment Code.

Foreign Direct Investment Statistics

Return to top

Total FDI in Tunisia is estimated at about US $19 billion. It has contributed to the creation of over 2,765 companies and approximately 268,000 jobs. Foreign investment in manufacturing industries producing for export has long been the major generator of jobs in Tunisia and has attracted the bulk of FDI. In 2006 FDI totaled about US $921 million or US $3.07 billion including the receipts from the partial privatization of state-owned Tunisie Telecom.

Web Resources

Return to top

Investment Promotion Agency (FIPA)	www.investintunisia.com
Central Bank of Tunisia	www.bct.gov.tn

General Information about Tunisia	www.tunisie.com
Tunisian Industrial Promotion Agency	www.tunisieindustrie.nat.tn
Bizerte Free Zone	www.bizertaeconomicpark.com.tn
Zarzis Free Zone	www.zfzarzis.com.tn
Stock Exchange	www.bvmt.com.tn
Privatization	www.privatisation.gov.tn
National Statistic Institute (INS)	www.ins.nat.tn
IMF	www.imf.org/external/country/tun/index.htm

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

Tunisian law strictly prohibits the export of currency from Tunisia as payment for imports prior to the presentation of certain documents establishing that the merchandise has arrived in Tunisia.

- US exporters have successfully used confirmed, irrevocable letters of credit and letters of credit authorizing "payment against documents" in past transactions.

How Does the Banking System Operate Return to top

The Tunisian banking system is a mixture of private and state-owned institutions offering varying types of financial instruments and services. Banks are strictly regulated by the Central Bank of Tunisia, which in recent years has increasingly insisted upon prudential norms for bank reserves and balance sheets, in compliance with international standards. The following banks - Société Tunisienne de Banque (STB), Banque National Agricole (BNA), Banque de l'Habitat (BH), Banque International Arabe de Tunisie (BIAT) and Amen Bank) - account for about 70% of total banking assets and approximately 60% of banking system loans. All are carrying on restructuring programs; key challenges they face include a continued reduction in non-performing loan ratios, implementation of tighter credit risk controls and enhanced recovery procedures, and upgrading seriously under-developed IT applications.

Over the past ten years, the overall level of non-performing bank portfolios has been reduced from nearly 40% to around 21%. These rates are far higher than US banking regulations would allow, but show continued progress in reducing the level of non-performing loans. Loan loss provisions continue to absorb a large part of pre-provision operating profits.

- Tunisian commitments under the WTO and the EU free trade agreement to begin liberalizing its banking sector should result in more stringent enforcement of reform measures over the coming years.

Foreign-Exchange Controls Return to top

The Tunisian dinar is convertible for current account transactions. Companies or individuals engaging in foreign trade can apply to the Central Bank for a convertible currency account.

- Foreign investors may freely repatriate profits and proceeds from the sale of equity, but other transfers may be subject to Central Bank authorization.

- Most trade-related transactions are conducted through letters of credit without difficulty.

- Royalty payments must be approved by relevant government ministries in consultation with the Central Bank on a case-by-case basis. Approval of royalty payments has been rare in recent years. Rates reflect the estimated value of the technology involved and the duration of the particular contract.

US Banks and Local Correspondent Banks Return to top

Citibank, the only US bank operating in Tunisia, has both onshore and offshore branches, with offices in Sfax and Tunis.

- Most Tunisian banks maintain a correspondent bank relationship with one or more US banks. Several of them also work with Western Union for the transfer of funds into Tunisia.

Project Financing Return to top

Financing is generally available. Tunisian banks are conservative and often reluctant to deal with newer firms, but it is rare for an enterprise to fail due to lack of financing. Bankers have described the Tunisian market as one where the supply of short-term commercial credit has exceeded demand.

- Financing from the Export-Import Bank of the United States (Ex-Im Bank) is available in Tunisia for US exporters. While lending has focused largely on transactions with state enterprises, Ex-Im Bank is seeking greater involvement with the private sector in Tunisia. US companies competing for government tenders are advised to work closely with the Embassy and Ex-Im Bank once evidence of a foreign competitor's ability to obtain concessionary financing becomes clear.

- Excellent financing terms offered by European suppliers remain an obstacle for US companies. However, Ex-Im Bank will strive to match concessionary financing from foreign competitors' governments.

The US Trade and Development Agency (TDA) has also assisted US firms seeking contracts in the Tunisian market. TDA's services in recent years have included feasibility study funding, conditional training grants, and trade development missions.

The World Bank (International Bank for Reconstruction and Development - IBRD) and African Development Bank (ADB) support a variety of projects in Tunisia. IBRD efforts are focused on several areas including the environment, the financial sector, privatization and industrial restructuring, the road network, dams and irrigation. ADB assistance includes major dam projects. The European Investment Bank (EIB) and the Japanese Economic Development Fund are both involved in financing a variety of major infrastructure projects and vocational training. The EIB also finances imports of European capital goods. US companies participate in World Bank-financed projects in Tunisia but are sometimes barred from participating in EU-funded projects.

Web Resources Return to top

Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov
Trade and Development Agency: http://www.tda.gov/
Small Business Administration SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
US Agency for International Development: http://www.usaid.gov
African Development Bank http://www.afdb.org
Central Bank of Tunisia www.bct.gov.tn
Association of Tunisian Banks http://www.apbt.org.tn/
Citibank Tunis http://www.citigroup.com/citigroup/global/tun.htm
Tel: (216)-71-790-066
Fax: (216)-71-881-746

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs Return to top

Tunisia is an open society that prides itself in being a bridge between the European and Arab worlds. Most Tunisian business practices closely resemble those in Europe.

- The official language in Tunisia is Arabic but French is widely spoken and serves as the common business language. Many Tunisians also speak English.

- The business environment is formal. Business suits are required for daywear.

- US business representatives should always have business cards available.

- Exchange of inexpensive gifts is common practice. US business representatives should not proffer high-value items.

Travel Advisory Return to top

See Tunisia Consular Information Sheet at travel.state.gov

Visa Requirements Return to top

US business travelers generally do not need a visa if they plan on staying in Tunisia less than four months. Stays longer than four months require a visa.

Residency and work permits are available from the Ministry of Interior and Ministry of Social Affairs, respectively. An office in the Ministry of Development and International Cooperation can help expedite the residency and/or work permit process for foreign investors. By law, these permits are valid for only one year, renewable for only one additional year upon application. In practice, this limitation is rarely enforced and expatriate residents routinely stay in Tunisia beyond the two-year maximum, renewing their permits annually.

US companies that require travel of foreign businesspersons to the United States can obtain information on travel to the United States and on obtaining US visas at:

US State Department Travel Information	travel.state.gov
US State Department Visa Website:	http://travel.state.gov/visa/index.html
US Visas.gov:	http://www.unitedstatesvisas.gov/

Additional information may be obtained from the US Embassy in Tunis at:
Consular Section consulartunis@state.gov
US Embassy
Tunis
Tel: (216) 71-107-000
Fax: (216) 71-964-360

Telecommunications

Return to top

Access to high quality telecommunications services, particularly high-speed/high capacity data transmission and the Internet is becoming more widely available. Tunisia uses GSM cellular phone technology.

- International calling cards (i.e. ATT) do not work in Tunisia.

Five private Internet Service Providers (ISPs) are licensed by the Government of Tunisia. Broadband connections have recently been made available to private Customers. It is estimated that there are 1.2 million Internet users in Tunisia, but only about 177,000 actual internet subscribers.

- ISPs can only access the Internet via the state Internet agency, Agence Tunisian d'Internet (ATI), which has a history of blocking sites that are considered critical of the Government of Tunisia.

A 2005 study by OpenNet Initiative entitled “Internet Filtering in Tunisia in 2005: A Country Study,” tested 1923 URLs in Tunisia, and found 187 sites blocked, which is approximately 10%. They concluded that “Tunisia’s focusing efforts are effective,” primarily blocking such topics as political opposition and human rights related sites, and pornography. They also block sites that allow users to circumvent this type of filtering. The government's policies in this area appear to reflect an effort to balance its stated political and security concerns with the growing demand for Internet access and other new information technologies.

Transportation

Return to top

Tunisia has a relatively well-developed infrastructure that includes six commercial seaports and seven international airports. Another international airport is in the planning stage. The principal airport in Tunisia is: Tunis-Carthage International Airport, situated 10 kilometers from the capital. There are six other international airports: Monastir-Habib Bourguiba, Djerba-Zarzis, Tozeur-Nefta, Sfax-Thyna, 7 Novembre-Tabarka, and Gafsa-Ksar.

Over 95% of Tunisian foreign trade is conducted by sea. Tunisia has a number of principal trading ports: Tunis-La Goulette, Sousse, Sfax, Gabes, Skhira, Bizerte, Rades, and Zarzis. The port of Skhira specializes in the transport of petroleum. In the ports of Bizerte and Zarzis, there are free trade zones. A state enterprise called CTN (Compagnie Tunisienne de Navigation) is the main shipping company in Tunisia. The merchant marine and ports agency (Office de la Marine Marchande et des Ports - OMMP) oversees management of ports. The main container port at Rades/Tunis handles most incoming and outgoing sea-freight traffic. Sfax, Tunisia's second largest city and a large commercial center, can also handle a limited amount of container traffic.

The railway network is operated by the public sector company called Société Nationale des Chemins de Fer Tunisiens (SNCFT), and a light metro railway operator, Société de Metro Leger de Tunisie (SMLT). SMLT runs the urban railway transport system in the city of Tunis.

The road network is fairly well developed. Major highways have been constructed or are in the planning stages to link the major coastal population centers, southwards towards the Libyan border, and westwards from Tunis to the border with Algeria.

Language

Return to top

The official language in Tunisia is Arabic, but French is widely spoken especially in business. Many Tunisians also speak English, and/or Italian or German.

Health

Return to top

Except when specialized care is required, most illnesses can be treated locally. Food standards are fair and the water in the coastal area is potable. For those who prefer bottled water, it is inexpensive and readily available.

Local Time, Business Hours, and Holidays

Return to top

Tunisia is GMT+1. Daylight Savings Time (GMT +2) is in effect April/November.

Business hours are:

Government

Winter	Mon/Thurs	8:30	13:00
		15:00	17:45
	Friday	8:30	13:00
	Saturday	8:30	13:30
Summer (July/August)			
	Mon/Thurs	7:30	14:00
	Friday	7:30	13:00
	Saturday	7:30	14:00
Ramadan**	Mon/Thurs	8:00	14:00
	Friday	8:00	13:00
	Saturday	8:00	14:00

Private Sector* (including banks)

Winter	Mon/Fri	8:00	12:00
		14:00	18:00
Summer (July/August)			
	Mon/Friday	7:00	13:00
Ramadan**	Mon/Fri	8:00	14:00

* Many private companies are moving towards a shorter break in the middle of the day, with COB brought forward to 17:00

**** In 2007, Ramadan will be o/a September 12- October 11.

Major Tunisian secular holidays are as follows:

Tunisian Independence Day -	March 20
Tunisian Youth Day -	March 21
Martyr's Day -	April 9
Labor Day -	May 1
Republic Day -	July 25
Women's Day -	August 13
Anniversary of change of government -	November 7

The following religious holidays are also observed. Actual dates are based on the lunar calendar and vary from year to year.

Dates for 2007 are:

Ras El Am El Hijri (one day) o/a	January 20, 2007
Mouled (one day) o/a	March 31, 2007
Aid Esseghir (El-Fitr) (two days) o/a	October 12, 2007
Aid El Kebir (El-Idha) (two days) o/a	December 20, 2007

* o/a – on or about

Temporary Entry of Materials and Personal Belongings Return to top

Depending on the legal status of non-residents, temporary entry of materials and personal belongings may be permitted. Companies and individuals should verify regulations applicable to their specific status before attempting to bring items into Tunisia.

Web Resources Return to top

Return to table of contents

Chapter 9: Contacts, Market Research, and Trade Events

Contacts

Return to top

US Embassy Tunis http://tunis.usembassy.gov
Tunisian – American Chamber of Commerce (TACC) http://www.tacc.org.tn
Tunisian Government www.ministeres.tn
Central Bank of Tunisia www.bct.gov.tn
FIPA (The Foreign Investment Promotion Agency) www.investintunisia.com
Tunisian Industrial Promotion Agency www.tunisieindustrie.nat.tn
CEPEX (Exports Promotion Center) www.cepex.nat.tn
INNORPI (Institut National de la Normalisation et de la Propriété Industrielle National Institute for Standardization and Industrial Property) www.inorpi.ind.tn
OACA (national civil aviation agency) www.oaca.nat.tn
SNCFT (national railway company) www.sncft.com.tn/default.asp
OMMP (national Ports office) www.ommp.nat.tn
APBT (Association Professionnelle Tunisienne des Banques et des Institutions Financières – Tunisia Bankers' Association) www.apbt.org.tn
UTICA (Union Tunisienne de l'Industrie du Commerce et de l'Artisanat) www.utica.org.tn
European Union (EU) http://europa.eu.int
IACE (Institut Arabe des Chefs d'Entreprise - Institute of Heads of Arab Companies) www.iace.org.tn

Market Research

Return to top

To view market research reports produced by the US Commercial Service please go to the following website: http://www.export.gov/marketresearch.html and click on Country and Industry Market Reports.

Please note that these reports are only available to US citizens and US companies. Registration to the site is required, but free of charge.

Trade Events

Return to top

Please click on the link below for information on upcoming trade events.
http://www.export.gov/tradeevents.html

Please click on the link below for information on upcoming trade events:
In Tunisia: http://www.export.gov/tradeevents.html
Trade Shows in Tunisia http://www.biztradeshows.com/tunisia/
Tunis International Fair http://www.fkram.com.tn/
Miscellaneous fairs http://www.sogefoires.com.tn/

Return to table of contents

Chapter 10: Guide to Our Services

The US Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the US Commercial Service offers US businesses, please click on the link below.

US exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the US Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to the following website: http://www.export.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.

Return to table of contents